Canadian Cottons
LIMITED

Twenty-ninth
ANNUAL REPORT
for Year Ended
March 31st
1939

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CANADIAN COTTONS, LIMITED

HEAD OFFICE:

760 Victoria Square, Montreal

Operating

ONTARIO MILL, HAMILTON, ONT.
STORMONT MILL, CORNWALL, ONT.
DUNDAS MILL, CORNWALL, ONT.
CANADA MILL, CORNWALL, ONT.
ST. CROIX MILL, MILLTOWN, N.B.
GIBSON MILL, MARYSVILLE, N.B.

Subsidiary

CORNWALL AND YORK COTTON MILLS COMPANY, LIMITED
SAINT JOHN, N.B.

OFFICERS

A. O. DAWSON, LL.D.	*President and Man. Director*
W. J. MORRICE	*Vice-President*
R. G. TOLMIE	*General Manager*
HUGH M. WATSON, A.C.I.S.	*Secretary*
K. L. HAMILTON	*Treasurer*

DIRECTORS

SIR H. MONTAGU ALLAN, C.V.O. Montreal
W. V. BOYD - - - - - - - - Montreal
A. O. DAWSON, LL.D. - - - Montreal
E. C. FOX - - - - - - - - Toronto
F. E. MEREDITH, K.C., LL.D. - Montreal
W. J. MORRICE - - - - - - Montreal
R. G. TOLMIE - - - - - - Montreal

DIVIDEND DISBURSING AGENTS...The Royal Trust Co., Montreal
STOCK TRANSFER AGENTS .....The Royal Trust Co., Montreal and Toronto
REGISTRARS .....The Bank of Montreal, Montreal and Toronto
BANKERS.....The Bank of Montreal, Montreal
STOCK LISTED.....The Montreal Stock Exchange

TWENTY-NINTH ANNUAL REPORT

Submitted to
the Shareholders at the Annual General Meeting held on
Friday, May 26th, 1939

* * *

TO THE SHAREHOLDERS:—

The time has arrived for the Directors of this Company to make their Annual Report to the Shareholders. They have no great enthusiasm in doing so as the year under review has been, for a variety of reasons, a trying year for all enterprise in Canada, and the experience of your Company has not differed from general experience in this respect. The trend of affairs in the cotton business has, perhaps, been typical of the reverse in business conditions in general from 1937 to 1938, as in that period of one year the Canadian consumption of cotton fabrics decreased by 15% in yardage, and by a considerably greater percentage in value.

The uncertainty that has prevailed in both political circles and in business affairs the world over has made buyers very cautious and purchases have been of a hand-to-mouth character during the full twelve months. However, it is likely that this condition has left stocks for immediate movement into consumption in a depleted state, which should provide a sounder basis for a more rapid recovery should the time come when the situation has cleared sufficiently to restore buyers' confidence.

A contributing cause of uncertainty during our last fiscal year has been the fact that during half that period a revision of the United States-Canada Trade Treaty was pending, which naturally caused cautious buying until its terms were known. When the new rates were announced, a further period of examination of United States cotton goods offerings ensued, followed by increased imports after January 1st, 1939, at which date these rates came into effect. It is necessary to inform our shareholders that the rates of duty on almost all products of this Company were reduced by this Treaty and that denims, on which we are particularly engaged, were specially selected for low tariff rates.

The brighter side of the picture which appears from our last year's operations is that, in spite of the restricted basis on which we worked, we were able to make such an important contribution to Canadian economy. In the large volume of goods we deliver we have endeavoured to give our customers good and efficient service, and we feel that these goods have gone to the consumers at a fair price. The Operating Statement for the year, after providing for bad debts and the usual depreciation, as per attached statement, shows that the goods manufactured were sold slightly below cost.

A fact that is not always appreciated is that Canadian-made goods reach the consumer through a variety of highly competitive channels, which give the consumer an opportunity of choosing to purchase from that distributor which takes the least mark-up on our prices. On the other hand there are many lines of imported goods which vary sufficiently from each other to make it impossible for the consumer accurately to compare their values, with the result that distributors can secure a greater mark-up on the imported than on the competitive domestic goods. This condition has the unfortunate result that duty reductions, which are intended to benefit consumers, do not necessarily reach them.

In producing the volume of goods we provided for Canadian consumption last year, this Company was able to provide employment for over 3,000 workpeople. It is to be regretted that hours of work had to be drastically curtailed, which of course

meant hardship to our employees, but, considering the urgency of the employment situation in Canada, we feel that the Shareholders should be gratified that your Company was able to make this contribution in the face of current conditions. It has meant a great deal to the five towns where our mills are located, especially when we consider that the payrolls which we release in these towns each week are drawn from a wage basis higher than in any other cotton manufacturing industry in the world except the United States. And it cannot be said that our wage rates are the result of high tariffs at the consumer's expense because, without exception, Canadian cotton goods tariffs are below those of any other important cotton manufacturing country.

This Company, in common with industry in general, also contributes heavily in taxes. Our total tax bill for the year 1938-1939 amounted to $485,892.81, and in some of the towns where our mills are located this Company paid 65% of all the local taxes, thus providing most of the money required for local schools, streets, parks and many other municipal services, thereby making these towns better places in which to live.

Another important disbursement which it is proper that every well-managed Company should make is dividends to its shareholders. For the first time in very many years this Company has registered an actual operating loss on its year's business. This operating loss was $1,107.13. Income from Investments amounted to $117,-650.24, as compared with $112,757.82 for the year 1937-1938, but the total net income was short by $211,766.89 of the amount required to pay the usual dividends on the Preferred and Common Shares of the Company. These low earnings for the year meant that the Profit and Loss Balance had again to be drawn upon to the extent of $211,766.89 to enable your Company to pay dividends to the holders of Preferred and Common shares. The Profit and Loss balance of the Company now stands at $1,698,385.20.

Were it not for the conservative policies followed by the Management for a period of many years it would have been quite impossible to continue paying wages and distributing dividends at the current rate. Your Directors feel that it is the part of wisdom to maintain wages and dividends on a stable basis as long as possible, by drawing on the Profit and Loss balance for this purpose, in order to maintain the purchasing power of the important groups that are affected thereby. We trust that this action will have the approval of all concerned.

While a substantial amount was expended on buildings and plant during the year to keep them in excellent operating condition, this expenditure was kept down to the minimum because of the prevailing conditions. It is the intention, however, of your Directors to keep the equipment of your mills as fully abreast of developments as is warranted by the financial condition of the Company.

It is difficult to predict the result of operations for the year 1939-1940 because of unsettled world conditions and the current lack of business to keep your mills running full time. It may be months before we can judge the effect of the new Treaties on the Cotton Industry, but it seems certain that imports from other countries will increase, and it can only be hoped that improved internal conditions will lighten the results of this trend.

It is a pleasure for your Directors to take this opportunity of expressing their appreciation to the Officers, Staff and Employees of the Company who have served so efficiently during a year when conditions were of a trying nature.

The Books and Accounts of the Company have been duly audited, and the Auditors' Report is submitted herewith.

Submitted on behalf of the Directors.

A. O. DAWSON,
President.

CANADIAN CO

BALANC

YEAR ENDED

ASSETS

CURRENT:

Cash on Hand and in Banks		$ 225,552.69
Accounts Receivable, less Reserve for Bad and Doubtful Accounts		654,526.27
Inventories of Raw Cotton, Goods in Process, Manufactured Stock and Supplies, as determined and certified by the Management, and valued in each case at cost or under and not more than present market values		1,962,414.33
Investments—Dominion and Provincial Government Bonds and Corporation Bonds and Shares at cost (Market value as at March 31st, 1939—$3,872,400.00)		3,627,696.58
TOTAL CURRENT ASSETS		$ 6,470,189.87
SHARES IN SUBSIDIARY COMPANIES		3.00
DEFERRED CHARGES:		
Prepaid Insurance, Taxes, etc.		56,334.05
CAPITAL ASSETS:		
Mills, Plants and Properties—at cost	$17,845,121.09	
Less:		
Reserve for Depreciation	$9,430,938.98	
Reserve for Obsolescence	5,050,000.00	
	14,480,938.98	
		3,364,182.11
		$ 9,890,709.03

Montreal, April 22nd, 1939.

Audited and verified as per Certificate attached:

RITCHIE, BROWN & CO.,
Chartered Accountants.

TONS, LIMITED

SHEET

CH 31ST, 1939

LIABILITIES

CURRENT:

Accounts and Bills Payable		$ 720,361.20
Reserve for Dominion and Provincial Taxes		115,000.00
Due to Subsidiary Companies		116,328.20
TOTAL CURRENT LIABILITIES		$ 951,689.40

RESERVES:

Replacements	$ 600,000.00	
Contingencies	263,634.43	
		863,634.43

CAPITAL STOCK:

Preferred 6% Non-Cumulative:		
Authorized $4,500,000.00		
Issued 36,615 Shares at $100.00	3,661,500.00	
Common:		
Authorized $3,500,000.00		
Issued 27,155 Shares at $100.00	2,715,500.00	
		6,377,000.00
EARNED SURPLUS—As per Statement attached		1,698,385.20
		$9,890,709.03

APPROVED:

A. O. DAWSON
R. G. TOLMIE } *Directors.*

HUGH M. WATSON,
Secretary

CANADIAN COTTONS, LIMITED

PROFIT AND LOSS ACCOUNT

FOR YEAR ENDED MARCH 31ST, 1939

Operating Loss after providing for items A, B, C, D and E as below noted		$ 1,107.13
Income from Investments		117,650.24
NET PROFIT FOR PERIOD		116,543.11
DEDUCT:		
Dividends on Preferred Stock—6%	$219,690.00	
Dividends on Common Stock—4%	108,620.00	
		328,310.00
Deficit transferred to Surplus		211,766.89
Earned Surplus as at March 31st, 1938		1,910,152.09
EARNED SURPLUS AS AT MARCH 31ST, 1939		$1,698,385.20

A.	Depreciation	$750,000.00
B.	Executive Salaries	53,820.00
C.	Directors' Fees	7,725.00
D.	Dominion and Provincial Taxes	81,976.74
E.	Legal Fees	2,336.40

TO THE SHAREHOLDERS,

CANADIAN COTTONS, LIMITED.

We have examined the books and accounts of Canadian Cottons, Limited for the year ended March 31st, 1939. We have verified the Cash in Banks and the Investment Securities and the Revenue therefrom.

We have obtained all the information and explanations required, and in our opinion the attached Balance Sheet and Profit and Loss Account, based upon certified inventories presented, are properly drawn up so as to exhibit a true and correct view of the state of affairs of the Company as at March 31st, 1939, and for the year ended that date, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

RITCHIE, BROWN & CO.

Chartered Accountants.

Montreal, April 22nd, 1939.

CANADIAN COTTONS, LIMITED

Manufacture

DENIMS
COTTONADES
CASSIMERES
COVERTS
AUTOMOBILE FABRICS

COTTON TWEEDS
COTTON SUITINGS
PANTINGS
BEDFORD CORDS
WHIPCORDS

MATTRESS TICKINGS
AWNING FABRICS

SHIRTINGS
GALATEAS
DRESS GINGHAMS
CHAMBRAYS

APRON GINGHAMS
NOVELTY DRESS FABRICS
NURSES CLOTHS
RIPPLETTES

ARTIFICIAL SILK FABRICS FOR DRESSES, LININGS AND LINGERIE

FLANNELS
BLEACHED FLANNELETTES
NAPPED SHAKERS
TIE LININGS
NAPPED SHEETINGS

COLOURED FLANNELETTES
MOTTLED INTERLININGS
SILENCE CLOTHS
EIDERDOWNS AND
ROBE CLOTHS

COTTON BLANKETS

UNBLEACHED, BLEACHED AND COLOURED YARNS
HOSIERY YARNS, WARP YARNS
SPUN RAYON AND WOOL BLEND YARNS